

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 99-629

December 9, 1999

BELL ATLANTIC-MAINE
Alternative Form of Regulation
Filing (1999 Annual AFOR)

ORDER APPROVING FILING
(FURTHER AMENDED)¹

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

In this Order, we approve the Annual AFOR Filing and accompanying rate schedule pages filed on September 8, 1999, by New England Telephone and Telegraph Company d/b/a Bell Atlantic - Maine. The filing is in compliance with the Commission's Order in Docket No. 94-123 implementing the Alternative Form of Regulation (AFOR) for Bell Atlantic, dated May 15, 1995, and with the Commission's Orders governing annual filings in Docket No. 94-123 and 97-667, dated March 9, 1998, and Docket Nos. 94-123 and 97-079, dated December 23, 1997.

Bell Atlantic made its filing in the above-captioned docket on September 8, 1998, in compliance with the requirements of the Commission's AFOR Order of May 15, 1995. The filing was supplemented on October 5, 1999, with the filing of additional rate schedule replacement pages.

The filing, entitled "Alternative Form of Regulation September 8, 1999," contains the Company's calculation of the new Price Regulatory Index (PRI) and the new Average Price Index (API) for the 1-year AFOR period that will begin on December 1, 1999. The new PRI and API are both derived from the PRI and API in effect during the current AFOR year. The Company's calculations are contained in the first section of its filing. The new PRI is 90.69, which is 3.42% below the current PRI of 94.11. The new PRI is based on the annual change of 1.76% in the Gross Domestic Product - Price Index between the first quarter of 1998 and the first quarter of 1999, the Productivity Factor of 4.5%, which is subtracted, and an exogenous adjustment of -0.89%. This negative adjustment reverses part of the positive adjustment in the current AFOR year (beginning December 1, 1998) that accounted for the cost effects of the January 1998 ice storm in Maine. The 1998 adjustment included both expensed and capital items. The expensed items were recovered fully in the current AFOR year. In approving the adjustment in the 1998 filing, we ordered the Company to remove the expensed items from its 1999 filing. The negative exogenous change in the current filing makes that adjustment. We note, however, that the Company did not make an adjustment in the current filing to reflect the fact that the 1998 capital additions have depreciated during

¹This Order amends the **corrected** December 3, 1999 Order in that it does not approve the following rate schedule which was inadvertently included to be approved:

1999.² The amount of the change (approximately \$150,000 in depreciated investment amount, or about \$26,000 in revenue effect) is small and would have virtually no effect on rates. In addition, BA reduced its rates by about \$30,000 more than was required by the PRI recalculation. If the AFOR is continued after December 1, 2000, in such a way that future PRIs are derived from the PRI of the current AFOR, Bell Atlantic should make an adjustment to reflect the capital reduction that occurred in the two AFOR years following the initial ice storm adjustment.

The Company's current average price index (API) is 94.00. Bell Atlantic must therefore reduce its overall price level (the API) to a level that is at or below the revised PRI of 90.69, i.e., by \$12.13 million. However, the Company was required to reduce its access rates and increase its basic exchange rates in May of 1999 in accordance with the Stipulation approved by the Commission in Docket No. 94-123 (Reopened). The net effect of those changes was a reduction in rates of about \$10.4 million. The Company may reflect allowed (or required) price changes that occur during the year in its next AFOR filing, and the Company has done so in this filing. The filing also reflects other reductions in rates that it implemented during the year.³

According to the terms of the AFOR, the Company is permitted to raise the rates for any of its Core Discretionary services at the effective date of rates for each new AFOR period, provided that the net result of the changes to all of its Core rates (Discretionary and Nondiscretionary) is within the parameters of the recalculated PRI. The Company has proposed increases to the following Core Discretionary services: Customer Calling Services, Telesure Services, Centrex/Intellismart, Ringmate/Intellidial, Phonesmart, and Premises Work Charges. The Company has decreased rates charged under some of its special toll contracts. The total of the proposed changes to the Company's Core Discretionary rates is an increase of \$1.95 million.

In the Core Nondiscretionary category, in addition to the local exchange service and access charge changes described above, the Company reduced rates for Business Link and Sensible Minutes. The total Core Nondiscretionary reduction is \$14.11 million. The net reduction in rates (including rates that were changed during the year) is \$12.16 million.

²Under the AFOR, the Company's "rate base" does not affect the PRI or rates. However, in the last AFOR filing the Company proposed, and the Commission approved, an adjustment to the PRI that reflected capital additions. Therefore, it is appropriate to require counter-adjustments to the PRI that reflect the reduction of that capital through depreciation.

³The increase to basic rates is permitted by the Docket No. 94-123 (Reopened) Stipulation. Otherwise, there can be no increases to rates for core non-discretionary services when the change in the PRI is negative.

We have reviewed the price changes proposed by Bell Atlantic and find that they comply with the AFOR pricing rules and all other applicable provisions of the AFOR Order.

The new API is 90.68. Because the new API is below the new PRI of 90.69, the Company's filing is in compliance with the terms of the AFOR.

We approve the filing with the following caveat. In *Frederic A. Pease, Request for Commission Action to Investigate the Level of Revenues Being Earned by New England Telephone Company and Determination of Whether Toll and Local Rates Should be Reduced*, Order (May 15, 1995), Docket No. 94-254, we ordered a rate reduction of \$14.446 million, but required the Company to reduce its actual rates by \$10.446 million and to provide funding for internet connections for schools and libraries in the amount of \$4 million per year for 5 years. The 5-year period will expire on June 1, 2000, at the mid-point of the upcoming AFOR year. At that time rates should be reduced by \$2 million (\$4 million annual effect) for the remainder of the AFOR year. The Company did not make any proposal in the current AFOR filing to address this issue, e.g., to reduce rates by \$2 million pro-rated over the full AFOR year. Accordingly, we ORDER the Company to file a proposal to address the necessary rate reduction on or before February 1, 2000.

Accordingly, we FIND that the following rate schedules filed by New England Telephone and Telegraph Company d/b/a Bell Atlantic - Maine on September 8, 1999, as modified by Company filings on September 3 and 21, 1998 and November 3, 1998, and on October 5, 1999, are in compliance with the Commission's AFOR Order dated May 15, 1995, in Docket No. 94-123, and we APPROVE them for effect on December 1, 1999:

(P.U.C. - Me. - No. 15)

Part A, Section 1, Page 20, First Revision, Canceling Original
Part A, Section 3, Page 2, First Revision, Canceling Original
Part A, Section 3, Page 8, First Revision, Canceling Original
Part A, Section 12, Page 13, First Revision, Canceling Original
Part A, Section 12, Page 14, First Revision, Canceling Original
Part M, Section 1, Page 1, First Revision, Canceling Original
Part M, Section 1, Page 5, First Revision, Canceling Original
Part M, Section 1, Page 6, First Revision, Canceling Original
Part M, Section 1, Page 7, First Revision, Canceling Original
Part M, Section 1, Page 9, First Revision, Canceling Original
Part M, Section 1, Page 23, First Revision, Canceling Original
Part M, Section 1, Page 24, First Revision, Canceling Original
Part M, Section 1, Page 27, First Revision, Canceling Original
Part M, Section 1, Page 28, First Revision, Canceling Original
Part M, Section 1, Page 29, First Revision, Canceling Original
Part M, Section 1, Page 30, First Revision, Canceling Original

Part M, Section 1, Page 31, First Revision, Canceling Original
Part M, Section 1, Page 46, First Revision, Canceling Original
Part M, Section 1, Page 47, First Revision, Canceling Original
Part M, Section 8, Page 32, First Revision, Canceling Original
Part M, Section 8, Page 33, First Revision, Canceling Original
Part M, Section 8, Page 34, First Revision, Canceling Original
Part M, Section 8, Page 36, First Revision, Canceling Original

Dated at Augusta, Maine, this 9th day of December, 1999.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320 (1)-(4) and the Maine Rules of Civil Procedure, Rule 73 et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320 (5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.